



ARE YOU UNDERFUNDING YOUR RETIREMENT?

*Are there disadvantages to fixed returns?
Should you consider the potential of the stock
market?*

Many retirees and pre-retirees are drawn to fixed annuities and CDs because they do not want to assume much risk. After all, there is no stock market risk involved with these fixed-return investments. Some people use them as their only vehicles for retirement planning.

But stepping out of the stock market altogether may not be such a good idea. In fact, for some it potentially could be a serious retirement planning mistake. Here's why.

Risk-averse investing has risks of its own. Every investment has advantages and disadvantages. Fixed-rate investments are no exception. While you eliminate market risk with a fixed annuity or CD, in a sense you are trading one kind of risk for another. You now contend with opportunity risk (or opportunity cost) and inflation risk. The fixed return you get might be far less than the return that stock market investing could bring you (in the short term and the long term). That fixed return might also fail to match the rate of inflation, leaving you with less purchasing power.

Volatility is something many of us endure in order to try for the kind of returns that may help us reach our financial goals. In the last year, the stock market has been quite volatile. But through the years, some investors have built considerable wealth through long-term stock market investment.

Do you really want to ignore the potential of the stock market? While short-term market movements may make stocks and funds seem too risky, the big risk could be the possibility of severely underfunding your retirement by clinging to fixed-rate investments. The stock market offers opportunities for considerable financial gain - and the chance of returns exceeding those of many fixed-rate investments. While there is risk involved, there also exists a potential for considerable benefit.

If you say "no" to the market's potential, you may regret your choice later in your retirement. In fact, you may find that you need long-term stock market investment to work toward certain retirement goals.

Explore the possibilities. If you'd like to learn more about investments positioned to take advantage of the market's potential, be sure to speak with a qualified financial professional. He or she may be able to help you determine how much risk you're willing to tolerate, and which investment opportunities are the closest fit with your tolerance level. What you learn might be very illuminating, and it might change your whole investment outlook.

Annuity Guarantees are backed by the claims-paying ability of the issuing insurance company. CDs are FDIC insured and offer a fixed rate of return, whereas both principal and yield of investment securities do have risk and may fluctuate with changes in market conditions. Past performance is not indicative of future results.

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